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MAY 15 1997

Federal Communications Commission  
Office of Secretary

Ex Parte

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, D.C. 20554

Re: CC Docket No. 96-150, In the Matter of the Telecommunications Act of 1996:  
Accounting Safeguards Under the Telecommunications Act of 1996

Dear Mr. Caton:

In accordance with Commission rules, please be advised that yesterday, May 14, 1997, Mr. Bill Schneider and Ms. Cindy Cox, representing BellSouth, and the undersigned, representing SBC Communications Inc., spoke with Mr. Jose Rodriguez, Ms. Alicia Dunnigan, Ms. Valerie Yates and Ms. Kim Yee of the Accounting and Audits Division. Specifically, this discussion concerned the Section 274(f) Reporting Requirements in CC Docket No. 96-150. The matters discussed are reflected in the attached material, which was handed out at the meeting, the Petition for Reconsideration (PFR) filed by Southwestern Bell, Exhibit A in SBC's PFR and in the comments filed in support of SBC's PFR by Bell Atlantic, NYNEX, U S WEST, BellSouth and Ameritech.

Specifically, parties in this meeting requested that the FCC accept a simplified Form 10-K and unaudited financial statements for Section 274 affiliates. The simplification requested is also described in SWBT's PFR, Exhibit A, and is similar to the omissions and simplifications provided for by the SEC for unconsolidated equity investments under Regulation S-X, Section 210.3-09(b) (for unaudited financial statements) and for entities without publicly traded stock (under General Instruction J to the Form 10-K).

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Mr. William F. Caton

May 15, 1997

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An original and one copy is being submitted. Acknowledgment and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for this purpose. Please include this letter in the record of this proceeding in accordance with Section 1.1206(a)(2) of the Commission's Rules.

Due to the lateness of the conclusion of the meeting, this letter is being filed with your office today. If you desire further information, please contact me at (202) 326-8894.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Beaumier". The signature is stylized with a large, bold "B" and a long, sweeping underline.

Attachment

cc: Mr. Rodriguez (w/attachment)  
Ms. Dunnigan (w/attachment)  
Ms. Yates (w/attachment)  
Ms. Yee (w/attachment)

# **10-K Requirement for 274: must be “substantially equivalent”**

- **10K is an SEC “tool”**
  - Designed for a specific purpose
  - Function of SEC’s Form 10-K is to provide information for investment decisions
  - Form 10-K is reporting tool for owners, potential owners
  - SEC does not have a “standard” Form 10-K

# ***Support* concept of providing “substantially equivalent” information**

- **Focus : What does FCC need ?**
  - Information is different from what a potential owner needs
  - SEC explicitly provides for simplification
    - EXAMPLE: Accepts unaudited financial statements
    - EXAMPLE: General Instruction J
  - FCC : similar authority to delete items and should delete items not applicable and/or not useful
- **Unnecessary items are potentially burdensome to BOCs**
  - Preparation requires additional work
  - FCC may find some items required on a Form 10-K are not useful

## ***SUMMARY :***

- **Seek clarification on FCC's expectations for a "substantially equivalent" 10K**
  - There is no "standard" Form 10K
- **Streamlined Form 10-K should be acceptable**
  - Section 274 affiliate comparable in size and scope to SEC's definition of "unconsolidated equity investment"
    - Unaudited financial statements meets requirement
  - Simplified narrative describing business operations, financial statements, one signature; due on same date as SEC's 10K (usually March 31)

# ***Summary:***

## ***Form 10K for Section 274 (continued)***

- ***Part I***

- Items 1, 2 & 3: Simplify (Include but accept simplified business description-- basic description of nature & scope of business)
- Delete Item 4

- ***Part II***

- Delete Item 5
- Items 6 & 7: Simplify (accept narrative discussion--detailed analysis is overkill)
- Items 8 & 9: Accept unaudited financial statements; accept simplified analysis

- ***Part III*** (Delete)

- ***Part IV*** (Delete)